

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 SSO-00 NSCE-00 USIE-00
INRE-00 SS-15 NSC-05 XMB-02 STR-04 AGR-05 AID-05
CEA-01 CIAE-00 COME-00 EB-07 EA-07 FRB-03 INR-07
IO-13 NEA-10 NSAE-00 OPIC-03 SP-02 TRSE-00 LAB-04
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FM USMISSION OECD PARIS
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E.O. 11652: N/A
TAGS: EAID, EFIN, CIEC, OECD
SUBJECT: MAY 10 XCSS - NORTH/SOUTH AND EAST/WEST ISSUES

1. SUMMARY: XCSS BRIEFLY REVIEWED RECENT CIEC ACTIVITY, AND SUMMIT DISCUSSION OF NORTH/SOUTH ISSUES. MEMBERS ALSO EXCHANGED VIEWS ON DEVELOPMENT OF POST-CIEC LONG-TERM STRATEGY FOR NORTH/SOUTH ECONOMIC RELATIONS WHICH IS TO BE LAUNCHED AT JUNE 23-24 OECD MINISTERIAL. MEMBERS WERE PRUDENTLY OPTIMISTIC RE CHANCES FOR SUCCESSFUL CONCLUSION TO CIEC IN VIEW OF EFFORTS G-8 HAD MADE TO PUT TOGETHER PACKAGE OF RESULTS WHICH WOULD ENABLE G-19 TO CALL CONFERENCE A SUCCESS. THIS HOPEFUL SENTIMENT, HOWEVER, WAS CAREFULLY QUALIFIED SINCE G-19 STANCE REMAINED UNCERTAIN. IT WAS RECOGNIZED THAT DETERMINED G-8 EFFORTS WOULD BE NECESSARY TO INDUCE G-19 TO WORK FOR AN ACCEPTABLE OUTCOME. IN DISCUSSION OF POST-CIEC PERIOD, MEMBERS REAFFIRMED NEED FOR COMMON LONG-TERM STRATEGY AND EMPHASIZED CENTRAL ROLE OECD WOULD PLAY IN ITS ELABORATION. XCSS HEARD BRIEF STATUS REPORT ON EAST/WEST ACTIVITY FROM SEC GEN AND PLANS TO

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DISCUSS TOPIC MORE FULLY AT ITS NEXT MEETING IN OCTOBER.
END SUMMARY.

2. CIEC: XCSS DISCUSSED GENERAL POLICY ISSUES RATHER THAN SPECIFIC SUBSTANTIVE AND TACTICAL QUESTIONS WHICH ARE RESPONSIBILITY OF G-8. CANADA (DUPUY) OPENED DISCUSSION BY REVIEWING RECENT CIEC ACTIVITY FOR BENEFIT

OF NON-PARTICIPANTS. HE SAID SUMMIT HAD CAPPED G-8 EFFORTS TO PUT TOGETHER PACKAGE WHERE FORWARD MOVEMENT COULD BE INDICATED. DUPUY LISTED CENTRAL ISSUES ON WHICH G-8 VIEWS HAD BEEN CONCERTED: CONTINUATION OF ENERGY DIALOGUE, COMMON FUND, ODA VOLUME AND QUALITY, SPECIAL ACTION PROGRAM, AND INVESTMENT. ALTHOUGH G-8 STILL HAD TO WORK OUT DETAILS OF ITS STANCE ON THESE ISSUES, DUPUY SAID HE WAS CAUTIOUSLY OPTIMISTIC ABOUT CIEC OUTCOME DUE TO MAJOR EFFORT G-8 HAD ALREADY MADE, ALTHOUGH IN THE END MUCH WOULD DEPEND ON G-19 REACTIONS. THIS SENTIMENT WAS ECHOED BY FROMENT-MEURICE (FRANCE), WHO BRIEFLY REPORTED ON SUMMIT DISCUSSION. HE SAID THAT IN CONTRAST TO LAST NOVEMBER, G-8 NOW HAD PACKAGE TO WHICH G-19 COULD POINT TO CALL CONFERENCE A SUCCESS IF IT SO CHOSE. DEVELOPMENT COMMISSION CO-CHAIRMAN WELLENSTEIN ADDED THAT FOR FIRST TIME THERE WAS FEELING CONFERENCE COULD SUCCEED, AND HE REVIEWED BENEFITS BOTH SIDES WOULD DERIVE FROM ITS SUCCESSFUL CONCLUSION. LDC'S WILL HAVE OBTAINED BENEFITS FROM CONFERENCE WHICH THEY WOULD NOT HAVE OBTAINED WITHOUT IT IN ADDITION TO AGREED LANGUAGE TO PUSH IMPORTANT NEGOTIATIONS IN OTHER FORUMS. WELLENSTEIN CONTINUED THAT IT WOULD BE HELPFUL FOR CIEC TO EASE DEADLOCK IN UNCTAD COMMODITY NEGOTIATIONS AND PUT DEBT DEBATE IN ITS PROPER CONTEXT. A SUCCESSFUL CIEC COULD ALSO HELP GET CONTINUED ENERGY DIALOGUE UNDER WAY AND INFLUENCE LDC ATTITUDES TOWARDS PRIVATE INVESTMENT AND ACCESS TO RAW MATERIALS. LASTLY, TONE OF NORTH/SOUTH RELATIONS SHOULD IMPROVE.

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3. UNDERSECRETARY COOPER REMINDED GROUP THAT CIEC CANNOT BE FORUM FOR SUBSTANTIVE NEGOTIATION SINCE G-19 HAS NO NEGOTIATING FLEXIBILITY ON FIXED G-77 POSITIONS AND CAN ONLY REACT TO G-8 PROPOSITIONS WITH VARYING DEGREES OF RECEPTIVITY. HE AGREED G-8 HAD OUTLINED VERY RESPECTABLE PACKAGE BUT SAID IT WOULD BE NECESSARY TO PUSH G-19 HARD TO ACCEPT PROGRESS ACHIEVED RATHER THAN POINT TO LARGE GAP WHICH NECESSARILY REMAINED BETWEEN G-8'S OFFER AND G-19 DEMANDS. G-8 COULD MAKE SOME OF ITS OFFERS CONTINGENT UPON SUCH A G-19 REACTION. IN LATER DISCUSSION, DUTCH DEL (VAN GORKOM) SAID HE FELT FACT WAS THAT CIEC HAD NOT BEEN VIABLE FORUM FOR REAL NEGOTIATIONS (AND THIS WAS ONE OF ITS FAILURES). HE CALLED FOR FUTURE NEGOTIATIONS IN CIEC-TYPE FORUMS. BUTLER (U.K.) REMINDED HIM THAT G-77 DOES NOT WANT NEGOTIATIONS TO TAKE PLACE IN LIMITED FORUMS. FINLAND ADDED THAT IT FELT SAME WAY.

4. U.K., SPEAKING ON BEHALF OF EC, NOTED G-8 WOULD

WELCOME ADDITIONAL DONATIONS TO SPECIAL ACTION PROGRAM,

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ONCE DETAILS ARE AGREED AMONG THE EIGHT. NORWAY INDICATED WILLINGNESS TO CONSIDER PARTICIPATING IF IT COULD CHANNEL CONTRIBUTION THROUGH IDA.

5. POST-CIEC: VAN LENNEP OPENED BRIEF DISCUSSION OF POST-CIEC PERIOD BY OUTLINING EXAMPLES OF ISSUES MEMBERS WILL HAVE TO ADDRESS IN REVIEW OF LONG-TERM STRATEGY FOR NORTH/SOUTH ECONOMIC RELATIONS. HE SAID THAT AFTER CIEC IT WOULD BE NECESSARY TO EXAMINE DEVELOPMENT CO-OPERATION POLICIES IN DEPTH. THERE WAS NOW GENERAL AGREEMENT AMONG DAC COUNTRIES ON NECESSITY OF A BASIC HUMAN NEEDS STRATEGY IN DEVELOPMENT ASSISTANCE PROGRAMS, RATHER THAN THE OUT-MODED "TRICKLE-DOWN" THEORY, AND THIS STRATEGY WOULD HAVE TO BE FURTHER ANALYZED. IT WOULD BE NECESSARY, VAN LENNEP SUGGESTED, TO EXAMINE THE MOTIVES AND OBJECTIVES OF MEMBERS' RESOURCE TRANSFER POLICIES. MOST IMPORTANTLY, THERE WAS NOW FULL REALIZATION UP TO POLITICAL LEVEL IN MEMBER COUNTRIES OF IMPORTANT PLACE OF DEVELOPING COUNTRIES IN WORLD ECONOMY
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AND OF FACT THAT A MORE INTEGRATED APPROACH TOWARD ECONOMIC RELATIONS WITH THEM WAS CALLED FOR IN THE CONTEXT OF GLOBAL ECONOMIC MANAGEMENT. VAN LENNEP NOTED MEMBERS SHOULD NOT EXPECT REVIEW OF THESE ISSUES TO RESULT IN DEVELOPMENT OF A FIRM BLUEPRINT FOR NORTH/SOUTH RELATIONS, BUT THAT BETTER UNDERSTANDING AND MORE COHERENT POLICIES SHOULD BE ACHIEVED. VAN GORKOM NOTED TASKS OF DEVELOPING DD III STRATEGY AND RESTRUCTURING U.N. ALSO LAY AHEAD. MEMBERS REAFFIRMED NECESSITY OF DEVELOPING LONGER-TERM STRATEGY TO GUIDE THEIR APPROACH TO POST-CIEC NORTH/SOUTH RELATIONS AND EMPHASIZED CENTRAL ROLE OECD WOULD HAVE IN ITS ELABORATION. JAPAN (YOSHINO) NOTED IMPORTANCE GOJ ATTACHES TO INDUSTRIAL COUNTRY SOLIDARITY FOR WHICH COMMON STRATEGY WOULD BE ESSENTIAL. SWEDEN (NORDENFALK) ASSERTED THAT CONCERTING INDUSTRIAL COUNTRY ATTITUDES WAS ALL RIGHT AS LONG AS IT RESULTED IN FORWARD MOVEMENT. U.S. REP (KATZ) POINTED TO CRUCIAL TASK JUNE MINISTERIAL MEETING WOULD HAVE IN KICKING OFF EXAMINATION OF LONG-TERM ISSUES AND INSTITUTIONAL ADAPTATION OF OECD, AND THIS RECEIVED AGREEMENT FROM DUTCH, JAPANESE, GERMANS, AND CANADIANS.

6. EAST/WEST: UNDER OTHER BUSINESS, VAN LENNEP REPORTED THAT SECRETARIAT WAS NOT YET READY TO PRESENT BROAD ISSUES PAPER ON EAST/WEST ECONOMIC RELATIONS FOR XCSS CONSIDERATION. HE HOPED IT COULD BE PREPARED FOR FALL MEETING. MEANWHILE, HE NOTED, SPECIALIZED COMMITTEES WOULD CONTINUE THEIR EXAMINATION OF SPECIFIC ISSUES. HIS REPORT WAS RECEIVED WITHOUT COMMENT. (AT LUNCH, VAN LENNEP AND COOPER HAD AGREED THAT EAST/WEST TOPIC WAS NOT RIPE FOR CONSIDERATION AT COMING OECD MINISTERIAL.)

7. NEXT XCSS MEETING WILL BE IN OCTOBER. DATE IS TO BE DETERMINED LATER.

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8. THIS MESSAGE WAS PREPARED AFTER THE DEPARTURE OF UNDERSECRETARY COOPER.
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